

**Testimony of Secretary Lon Hatamiya to the Joint Hearing of the  
Senate Select Committee on International Trade Policy and State Legislation and  
the Senate Committee Banking, Commerce and International Trade  
Wednesday, May 16, 2001**

**GOALS OF THE AGENCY**—Madam Chairwoman and Mr. Chairman, thank you for the opportunity to appear before this joint hearing of your two Senate Committees.

Let me begin my outlining our basic goals for our international programs. They are clear and simple: (1) to increase the exports of California products and (2) to increase foreign investment into California.

**IMPACT OF INTERNATIONAL TRADE ON CALIFORNIA'S ECONOMY--**

Our efforts are already reflected in positive results. Governor Davis announced in March that California exports surged an incredible 20.7% in 2000 to \$129.7 billion, led by a 27.6% increase in shipments to Mexico (\$19 billion). In addition, California remains the #1 destination for foreign direct investment with well over \$100 billion invested in our state. This phenomenal growth in international trade has enabled California to become the world's sixth largest economy at over \$1.35 trillion in Gross State Product.

Because of this economic importance, California is poised to play a central role in the future development of the global economy for the 21<sup>st</sup> Century. California exports in 2000 directly and indirectly supported approximately **2.1 million** (this is the latest figure) jobs in the Golden State. Since the passage of NAFTA seven years ago, California exports to NAFTA partners has increased by an amazing 141% or \$20 billion (\$34 billion total) and created nearly 240,000 new jobs (408,000 jobs total). Therefore, international trade is a vital element for the continued economic health of California.

California has the most to gain from a positive outcome from a new Millennium Round of WTO negotiations, the opening of new markets, and the existence of free trade agreements such as NAFTA and the potential Free Trade Agreement of the Americas.

**INFLUENCE ON TRADE AGREEMENT PROCESS**—Most pertinent to today's hearing is the fact that California currently plays an important role and can play an even greater role in influencing the trade policy of the United States. As we are all cognizant of the fact that entering into international trade agreements is the constitutional responsibility of the federal government. As a former federal trade official at the U.S. Department of Agriculture, I spent countless hours in Geneva, Brussels, Tokyo, and other world capitals negotiating the lowering of tariffs, the reduction of barriers, and the strengthening of trade adherence mechanisms. These negotiations take days, months, and mostly years to complete, with many more years of compliance!

**USTR PROCESS**--However, there is an established protocol for California to provide advice, input and comment regarding these on-going negotiations. Not only through the voices of our Congressional delegation, but also through established advisory committees, can California have its input heard. With the passage of NAFTA in 1992 and the Uruguay Round Agreements Act of 1994, which implements WTO obligations in the U.S., the U.S. created expanded consultative procedures with state and local governments to ensure that states and localities are informed and consulted on an ongoing basis regarding trade-related matters.

For day-to-day communications the USTR created a State Single Point of Contact system. TTCA is the California State Single Point of Contact as designated by the Governor. This system enables us to receive regular information from USTR and to comment on Federal Register Notices and provide other input. Since I was appointed as Secretary, I have testified before a USTR hearing in Los Angeles regarding California's priorities for the next WTO Round, attended the Third WTO Ministerial meetings in Seattle and submitted comments on other priorities for the State of California.

In addition, USTR has established an Intergovernmental Policy Advisory Committee of Trade (IGPAC). It is one of the 33 federal trade advisory committees authorized by the Trade Act of 1974, ranging from agriculture to labor, and from defense to the environment. For example, the Governor is a member of IGPAC, and various other Californians serve on the other advisory committees, such as the Agricultural Trade Advisory Committee, the President's Advisory Committee on Trade Policy and Negotiations, the Defense Policy Advisory Committee for Trade, etc.

With the change in Administration in Washington, there will be obvious changes to these advisory bodies. However, with California industries playing such a vital part in U.S. international trade, we should continue to be represented. Therefore, I would suggest that we should better coordinate our input, whether it is through our Single Point of Contact or any other advisory committee. We greatly welcome the opportunity to work with your legislative joint committees to develop and provide more information to our federal policy-making colleagues.